

**PREPARED DIRECT TESTIMONY
OF
CAROL J. TRENTON
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NO. 00-0724**

ILLINOIS
COMMERCE COMMISSION
APR 2 10 49 AM '01
CHIEF CLERK'S OFFICE

1 Q1: Please state your name and business address.

2 A1: My name is Carol J. Trenton and my business address is 300 Liberty St., Peoria, Illinois,
3 61602

4 Q2: What is your present position?

5 A2: I am an Energy Trader in the Energy Supply Group of Central Illinois Light Company
6 (CILCO).

7 Q3: Would you please give a resume of your professional background and your career with
8 CILCO.

9 A3: I began full-time employment with CILCO in 1968 in the Customer Service and Credit
10 Department. In 1978, I moved to the position of Employment Administrator. In 1982,
11 I served as a Claims Administrator until 1993 when I moved to the Environmental Unit.
12 During the four years working in the environmental group, I was located for two years
13 at the Edwards Station power plant. Job responsibilities at the power plant included
14 emission monitoring and reporting for all three Edwards units, asbestos compliance
15 company wide and compliance with applicable radiation and noise rules and regulations.
16 In November 1997, I joined the Energy Supply Group as a Transmission Scheduler and
17 in August 1998, became an Energy Trader.

18 Q4: What is the purpose of your testimony in this proceeding?

19 A4: The purpose of my testimony is to describe CILCO's electric generating system and the
20 policy the Company follows to ensure prudent wholesale power transactions and prudent
21 dispatching of its generating units.

22 Q5: Please describe CILCO's generating facilities.

23 A5: In 2000 the Company owned and operated electric generating facilities having a summer
24 capability of 1172 megawatts (Mw) and a winter capability of 1174 Mw. Of this total,
25 1106 Mw were in two conventional, coal fired, steam generating plants, 30 Mw (32 Mw
26 winter capability) were in two natural gas combustion turbine generator sets at the
27 Sterling Avenue Station, and 10 Mw were in a natural gas cogeneration turbine/generator
28 facility that is primarily used to supply process steam to a customer. The Sterling
29 Avenue gas turbines are used for peaking capacity and to supply cranking (black start)
30 power to the system. An additional 26 Mw of generating capacity, made up of numerous
31 diesel-fueled generators located at two or more sites in CILCO's service area, became
32 available June of 2000. This addition to CILCO's available capacity reduced CILCO's
33 reliance upon purchased power to meet its planning reserve requirements during 2000
34 and beyond. In addition, a subsidiary of AES Corporation, CILCORP's parent, has
35 agreed to provide another 40 Mw of generating capacity by constructing a cogenerator
36 to serve industrial plants in CILCO's service territory. The cogenerating plant is
37 expected to be in service during 2001, and will further insulate CILCO's customers from
38 high market prices.

39 The Company's largest electric generating unit is located at Duck Creek Station,
40 which has a single generating unit, with a capacity of 366 Mw. The E. D. Edwards
41 Station has three units: No. 1, 117 Mw; No. 2, 262 Mw; and No. 3, 361 Mw of capacity.

42 The Company continues to operate its generating facilities in compliance with all
43 applicable federal, state and local environmental regulations. Compliance with
44 regulations for air pollution control is achieved through measures which in 2000 included
45 electrostatic precipitators for particulate control, low NOX burners on all four coal-fired
46 units, use of low sulfur coal at Edwards Station and the operation of a flue-gas
47 desulfurization system at Duck Creek Station to accommodate the use of high sulfur
48 Illinois coal.

49 Q6: What is CILCO's wholesale power-purchasing policy?

50 A6: CILCO has a written policy for purchasing interchange power that is directly tied to the
51 need to supply electricity to meet our customers' load requirements within our control
52 area, which is referred to as native load, at the lowest reasonable cost. CILCO forecasts
53 its native load requirements and provides generation and at times purchases power to
54 meet our customers' needs. CILCO also supplies generation or purchases power to meet
55 our reserve requirements.

56 CILCO maintains interchange agreements and facilities to maintain reliable
57 transaction capabilities with others in periods of deficiency and surplus, as well. CILCO
58 is a member of the Mid-America Interconnected Network (MAIN) which operates a
59 Coordination Center in Lombard, Illinois. MAIN is one of ten regions of the North

60 American Electric Reliability Council (NERC). Participation in these organizations and
61 strict adherence to their operating guides is a requirement in providing reliable service
62 to our electric customers.

63 The procedures for operation between interconnected companies are stipulated
64 in the four interchange contracts between CILCO and City Water Light and Power
65 (CWLP), Illinois Power Company (IP), Ameren Services (Ameren) and Commonwealth
66 Edison (CE).

67 Q7: How has the environment for purchasing power changed?

68 A7: Over the last several years the electric energy industry has changed dramatically. Energy
69 products such as "Short Term Power," "Economy," and "General Purpose," common in
70 a utility-to-utility "Interconnection Agreement" environment, have been replaced by
71 "Financially Firm" and "Non-Firm" energy in a Coordination Sales Tariff or Market-
72 Based Rate Tariff environment. In today's wholesale power market many transactions
73 are entered into with power marketers, as opposed to electric utilities.

74 Since deregulation, CILCO's Energy Supply Group has been responsible for the
75 Company's wholesale power transactions. On a daily basis, power marketers are
76 contacted throughout the day to monitor the market, thus ensuring CILCO makes
77 economic power purchases for our customers. The procedures used by CILCO to
78 purchase power and energy are in strict adherence to the contracts currently in place
79 between CILCO and our wholesale energy providers.

80 CILCO's dispatchers and energy traders are aided by sophisticated computer

81 technology when scheduling and pricing power and energy. The Company's Electric
82 Management System (EMS) is a set of computer programs that optimize CILCO's use
83 of available supply. On an incremental basis, the EMS considers the costs and volumes
84 of both purchased energy and CILCO's generation to ensure that purchased power and
85 CILCO generation are blended to provide the most economic power to our customers.

86 The system computer also monitors the tie-line metering and adjusts CILCO's on-line
87 generation as required to minimize inadvertent flows. Most energy, other than that
88 acquired during emergencies, is bought and sold either on an "hourly" or "next-day"
89 basis. During emergencies, energy is scheduled on as short as a fifteen-minute basis.

90 Q8: Please describe CILCO's purchased power contracts for delivery into CILCO during the
91 2000 reconciliation period.

92 A8: CILCO bought and Ameren/CIPS sold 100 Mw of firm energy during the month of
93 January and 100 Mw of firm capacity and energy for the four months June through
94 September of each year 2000 through 2003, at fixed prices that are substantially below
95 market price. The purchase and sale are pursuant to a settlement reached in May of 1999,
96 subject to FERC approval. FERC approved the settlement in February of 2000. CILCO
97 entered into a firm power purchase (capacity) contract with Reliant Energy Services, Inc.
98 for 50 Mw delivery into the CILCO system. The contract provided power during the
99 period of June 1, 2000 through September 30, 2000. Further, the contract provided that
100 any energy acquired pursuant to the agreement would be at market-based prices.

101 Q9: Why did CILCO enter into the contract with Reliant?

102 A9: To meet planning load and reserve margin requirements for the summer of 2000, it was
103 necessary for CILCO to purchase 150 megawatts of firm capacity and energy. The 100
104 Mw of firm capacity and energy for the four months June through September from
105 Ameren plus the 50 Mw firm power delivery from Reliant satisfied these requirements.

106 Q10: Please describe the process CILCO followed to select the Reliant contract.

107 A10: On or around December 16, 1999, CILCO submitted a request for proposal to interested
108 parties for firm capacity and energy during the summer of 2000. Responses to the
109 request for proposal were received and negotiations were undertaken. In considering the
110 proposals, it was extremely important to confirm that the energy would be available and
111 delivered to CILCO's system when needed. Consequently, in evaluating proposals,
112 CILCO considered the availability of firm generation, and firm transmission to deliver
113 the energy under each proposal into CILCO's control area. CILCO had the option to
114 purchase energy at market-based prices on days when CILCO wished to schedule
115 deliveries, or CILCO could have obtained monthly fixed prices based upon the futures
116 price of energy. Under the fixed price option, CILCO would have been required to take
117 the full amount of the energy specified in the contracts regardless of whether purchased
118 power was needed to meet the requirements of CILCO's customers, and notwithstanding
119 that lower-priced power might be available in the market. Other parameters considered
120 in determining the viability of each proposal included, but were not limited to, pricing
121 terms, delivery paths, and scheduling provisions.

122 During the negotiation process, some marketers withdrew their bids when

123 agreement could not be reached on terms acceptable to both parties.

124 Q11: Did CILCO enter into any other wholesale purchased power contracts for delivery
125 outside of CILCO's control area to serve retail load during 2000?

126 A11: Yes. Pursuant to the Customer Choice Law, on and after October 1, 1999, CILCO
127 contracted with retail load customers outside of CILCO's control area to provide
128 electricity. In order to provide the electric requirements of these customers, CILCO
129 generated the energy or purchased it from other resources. Pursuant to the Commission's
130 decision in Docket No. 99-0468, the cost of all the purchased power and all the native
131 load generation are included in the FAC. The FAC costs are allocated as hereinafter
132 described.

133 Q12: Are the contracts under which CILCO makes purchases from power marketers and other
134 utilities subject to regulation?

135 A12: Yes. All the wholesale contracts under which CILCO purchases power for resale fall
136 under the jurisdiction of the Federal Energy Regulatory Commission (FERC). Electricity
137 wholesale suppliers, with approved Power Marketer Status, must file Market-Based Rate
138 Tariffs or Coordination Sales Tariffs with the FERC. As a condition to approval of a
139 market-based rate tariff, power marketers file quarterly summary reports with the FERC.

140 Q13: Please describe the process used by CILCO to allocate the cost of energy incurred by
141 CILCO during 2000 for sales not subject to the FAC and wholesale transactions.

142 A13: The allocations of the total cost of energy incurred by CILCO during 2000 for wholesale
143 transactions and non-regulated sales not subject to the FAC were completed according

144 to an Order dated December 20, 2000 in Docket No. 99-0468. Wholesale transactions
 145 received the highest incremental cost of fuel and purchased power. In order to complete
 146 this activity, the highest cost of purchased power in the CILCO portfolio at the time of
 147 the sale was assigned. All purchases made by CILCO, whether procured for new retail
 148 customers behind other utilities or delivered to CILCO for the load requirements of FAC
 149 customers, were considered to be part of the portfolio. After all wholesale transactions
 150 were assigned the highest incremental cost, all other sales received the average fuel cost
 151 as set forth in the Order. Mr. Davidson further describes this process in his prepared
 152 direct testimony.

153 Q14: In your opinion, did CILCO act prudently in its purchases of power for 2000?

154 A14: Yes.

155 Q15: Does this conclude your prepared direct testimony?

156 A15: Yes, it does.